

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Review,
Revise, and Consider Alternatives to the
Power Charge Indifference Adjustment.

Rulemaking 17-06-026

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON
ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENTS ON
LONG-TERM RENEWABLES PORTFOLIO STANDARD TRANSACTIONS**

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SUMMARY OF RECOMMENDATIONS

The Commission should reject the Staff Proposal to add long-term fixed price (LTFP) transactions to the calculation of the Renewables Portfolio Standard (RPS) market-price benchmark (MPB). Instead, the current methodology of including only short-term index plus (STIP) transactions should continue for the following reasons:

- Including LTFP transactions in the RPS MPB calculation is *conceptually flawed* as it:
 - (1) conflicts with the existing power charge indifference adjustment (PCIA) methodology, which does not incorporate LTFP transactions in the Energy and Resource Adequacy (RA) MPBs;
 - (2) requires the extraction of a current RPS-only price from a bundled LTFP contract which is not only difficult, but virtually guaranteed to be inaccurate, and fails to reflect a purchaser's expected value in the LTFP contract over many years; and
 - (3) has the potential to result in a negative RPS value, demonstrating its inaccuracy as index-plus Power Content Category one (PCC-1) one Renewable Energy Credit (REC) transactions are currently transacting in the market at approximately \$13-\$17 per megawatt hour (MWh).
- The *mechanics* of Staff's proposed calculation are also *materially flawed* with regard to:
 - (1) the energy price component of the LTFP transactions:
 - a. the calculation fails to deduct energy value;
 - b. determining the energy price over the term of the LTFP is imprecise and cumbersome;
 - (2) the RA component of the LTFP transactions:
 - a. converting capacity value to an energy basis will not value RPS correctly;
 - b. the record does not adequately demonstrate how Staff's proposed calculation deducting RA value will impact the RPS MPB, as required by Decision (D.) 19-10-001;
 - c. LSEs' calculations of the estimated RA value must be validated by Energy Division or a third-party consultant;
 - (3) the overall calculation process:
 - a. including long-term index plus (LTIP) transactions will better reflect market prices than including LTFP transactions; and
 - b. what qualifies as "mandatory procurement" excluded from the proposed RPS calculation requires clarification.
- Neither the Staff Proposal nor the record demonstrate that adding LTFP transactions to the calculation of the RPS MPB will increase accuracy of the PCIA.

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The California Community Choice Association¹ (CalCCA) submits these Comments in response to *Administrative Law Judge’s Ruling Requesting Comments on Long-Term Renewables Portfolio Standard Transactions* (Ruling), dated August 4, 2022.

I. INTRODUCTION

The Ruling requests comments on the Staff Proposal to incorporate long-term fixed price (LTFP) transactions in the Renewables Portfolio Standard (RPS) Market Price Benchmark (MPB). In Decision (D.) 19-10-001, the California Public Utilities Commission (Commission) adopted Working Group One’s proposal to include in the calculation of the RPS MPB only short-term index plus (STIP) transactions executed in the past year by the investor-owned utilities (IOUs), community choice aggregators (CCAs), and Electric Service Providers (ESPs).²

¹ California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

² D.19-10-001, *Decision Refining the Method to Develop and True Up Market Price Benchmarks*, R.17-06-026 (Oct. 10, 2019), Ordering Paragraph (OP) 1.b. at 54 (Contracts to be included include those executed in the fourth quarter of year (n-2), and the first through third quarter of year (n-1) for delivery in year n.).

The decision to include only STIP transactions was based on the theoretical and technical challenges involved with incorporating LTFP transactions.³ The Commission, however, ordered parties to provide data on all fixed-price transactions executed in the past three years, for delivery in the following three years, to allow Staff to assess the feasibility of including LTFP in the RPS MPB.⁴ The Staff Proposal cites the Commission’s “direction, in D.19-10-001, to incorporate LTFP transactions into the RPS MPB.”⁵ However, the Commission did not “direct” a change to the current methodology, but rather ordered Staff to assess the feasibility and if possible propose a methodology of including LTFP transactions after analyzing the load-serving entity (LSE) data.

The Staff Proposal will: (1) incorporate STIP and LTFP Portfolio Content Category one (PCC-1) transactions into the RPS MPB (and exclude long-term index-plus (LTIP) and short-term fixed-price (STFP) transactions); (2) exclude transactions for “mandatory procurement”; (3) require LSEs to estimate a resource adequacy (RA) value for a resource using the most recently published RA MPB and monthly Net Qualifying Capacity (NQC) and/or Effective Flexible Capacity (EFC) values for a given resource; (4) convert the RA value into a single average \$/megawatt-hour (MWh) metric to be reported in the data request to Staff; and (5) require Staff to then subtract the RA value from the fixed price, prior to calculating the RPS MPB.

The Commission’s stated goal in calculating the components of the power charge indifferent adjustment (PCIA), including the RPS MPB, is to precisely capture the *value* of the utilities’ RPS portfolio *in any given year*.⁶ For the reasons set forth below, the Commission

³ D.19-10-001 at 18-20.

⁴ *Id.* at 20.

⁵ *Id.* at 19-20.

⁶ D.18-10-019, *Decision Modifying the Power Charge Indifference Adjustment Methodology*, R.17-06-026 (Oct.11, 2018), at 129; D.19-10-001 at 6.

should reject the Staff Proposal and instead continue the current methodology of only including STIP transactions in the calculation of the RPS MPB:

- Including LTFP transactions in the RPS MPB calculation is **conceptually flawed** as it:
 - (1) conflicts with existing PCIA methodology, which does not incorporate LTFP transactions in the Energy and RA MPBs;
 - (2) requires the extraction of a current RPS-only price from a bundled LTFP contract which is not only difficult, but virtually guaranteed to be inaccurate, and fails to reflect a purchaser's expected value in the LTFP contract over many years; and
 - (3) has the potential to result in a negative RPS value, demonstrating its inaccuracy as index-plus Power Content Category One (PCC-1) Renewable Energy Credit (REC) transactions are currently transacting in the market at approximately \$13-\$17 MWh.
- The **mechanics** of Staff's proposed calculation are also **materially flawed** with regard to:
 - (1) the energy component of the LTFP transactions:
 - a. the calculation fails to deduct energy value;
 - b. determining the energy price over the term of the LTFP is imprecise and cumbersome;
 - (2) the RA component of the LTFP transactions:
 - a. converting capacity value to an energy basis will not value RPS correctly;
 - b. the record does not adequately demonstrate how Staff's proposed calculation deducting RA value will impact the RPS MPB, as required by D.19-10-001;
 - c. LSEs' calculations of the estimated RA value must be validated by Energy Division or a third-party consultant;
 - (3) the overall calculation process:
 - a. including LTIP transactions will better reflect market prices than including LTFP transactions; and
 - b. what qualifies as "mandatory procurement" excluded from the RPS calculation requires clarification.
- Neither the Staff Proposal nor the record demonstrate that adding LTFP transactions will increase accuracy of the RPS MPB.

II. INCLUDING LTFP CONTRACTS IN THE RPS MPB CALCULATION IS CONCEPTUALLY FLAWED

A. Staff's Proposal Conflicts with the Existing PCIA Methodology, Which Does Not Incorporate LTFP Contracts in RA and Energy MPBs

Staff's proposal to incorporate LTFP contracts into the RPS MPB calculation departs materially from the calculation of MPBs for the energy and RA components. The latter two MPBs reflect "energy only" California Independent System Operator (CAISO) market prices and "RA only" contracts and make no attempt to dissect LTFP contracts. The Commission thus should reject the proposal as inconsistent with the existing methodology.

The RA MPB calculation reflects the "volume-weighted average of all IOU, CCA and ESP *RA-only* market transactions"⁷ executed in specified years. The calculation does not attempt to determine the value of RA attributes embedded in a LTFP contract through a top-down subtraction of energy and RPS values. Indeed, Energy Division's data request used to develop the MPB calls solely for RA-only transaction data, which are largely short- or mid-term transactions. Moreover, the Commission has not suggested in either phase of this proceeding that a top-down calculation should be used to incorporate LTFP contracts into the RA MPB calculation.

Similarly, the Energy MPB only reflects *energy-only* spot-price transactions taking place in the CAISO market. The calculation does not attempt to determine the value of energy embedded in a LTFP contract through a top-down subtraction of RA and RPS values. And, like RA, the Commission has not suggested in either phase of this proceeding that a top-down calculation should be used to incorporate LTFP contracts into the Energy MPB calculation.

⁷ D.19-10-001, OP 3.d at 56.

It is only for RPS values that the Commission is now considering the incorporation of LTFP contracts without providing any explanation for this disparate treatment. The incorporation of LTFP contracts into the RPS MPB arose from a proposal by The Utility Reform Network (TURN) in the implementation phase of D.18-10-019 in a March 26, 2019, presentation.⁸ TURN did not, at that time, suggest the same approach for RA or Energy MPBs, and the Commission has not directed such an approach since that time.

Today, the calculation is internally consistent, accounting for transactions reflecting only the price of a single product – either energy, or RA, or RPS – and typically short-term prices. Taking a different approach for RPS by unbundling a bundled LTFP contract would mix apples and oranges without any consideration of the overall methodology. There is no justification to create a separate methodology for the RPS MPB.

B. Extracting an RPS-only Price from a Bundled LTFP Contract Is Difficult and Virtually Guaranteed to Be Inaccurate

Advancing a proposal to unbundle RPS from a bundled LTFP transaction presumes an ability to divine a purchaser's value expectations for each embedded product at the time it executed the transaction. Unless a LTFP contract specifies separate prices for energy, RA, and RPS attributes, however, it is difficult if not impossible to accurately assess the value of each component.

Consider the analogy of an all-inclusive vacation package, including flights, hotels, a car, and meals, priced at \$1200. For such a package, the sum of the individual components will exceed the package price (or it would not be attractive in the market). Assume that a comparable separate flight is priced at \$500, a hotel at \$400, and a car at \$400, and the estimated value of the

⁸ See *Pacific Gas and Electric Company (U-39-E)* and *California Community Choice Association Working Group One Report on Brown Power, RPS and RA True-up (Issues 1 through 7)*, Exhibit E at 76-78, May 31, 2019, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M309/K592/309592367.PDF>.

meals is \$200, or \$1500 in total. Subtracting the flight and hotel from the package, leaves \$300 to cover the car and meal value. Does this mean that the car is worth \$100, and the meals are worth \$200, or is the car worth \$300 and the meals have no value? In reality, we have no way to discern what value either the buyer or seller attached to each component in the transaction.

Like the vacation package, establishing price proxies for any single component of a LTFP contract is fraught with difficulty and potential for error. A purchaser's and seller's views of the value of each component may differ, based on their individual market price forecasts, estimation of risk, and other factors that could result in a premium or discount. A cleaner representation of *current* RPS market prices, undistorted by other factors, is the price at which RPS attributes are trading in the market today – “index plus” transactions.

Compounding this problem is the increasing pairing of solar facilities with on-site storage. Attempting to disentangle both the allocation of the RA capacity between the solar facility and the storage, as well as the cost paid for each component, makes it even more difficult to calculate any implied RPS value.

C. A “Current” RPS Market Price Cannot Be Derived from a Bundled LTFP Contract

Unlike in STIP transactions, RPS value embedded in LTFP contracts reflects a purchaser's expected value over many years, including a risk premium or discount from current prices, and does not accurately reflect current market prices. When parties to a contract negotiate a long-term contract, they must forecast the value of the elements of the contract (energy, RA, RPS) for the length of the contract. The contract reflects this valuation as the total price of the contract, which likely includes an escalation of the price over some period of time. For any individual element of the contract, the actual price fluctuations may be more or less than what parties anticipated in signing the contract.

If the Commission then uses the RA value and the energy value in a future year to determine the implied value of RPS in the long-term contract, it will assume that the parties perfectly forecast the value of RA and energy in their negotiation. Without perfect information, however, such an accurate forecast of prices during negotiation are very unlikely to materialize. Thus, implying the RPS value of the contract from two numbers, that at the time of the contract were unknown but later the actual values are revealed, is a false calculation.

The only manner in which the deduction of the RPS value could be accurately obtained in such a contract is if each element of value conveyed in the contract was specified with a price in the original contract and each element had its own escalation factor. This would then establish the value of each element including RPS independently and would not require any comparison to current market prices. This is essentially what index-plus contracts do – providing a specific price (perhaps tied to an independent price index). Estimation of such values in a LTFP contract without this similar disaggregation results in pure guesswork as to what the originators of the contract negotiated and agreed to.

D. The Potential for a Negative RPS Value Demonstrates the Issues with Including LTFPs in the RPS MPB

Unbundling a bundled LTFP contract could result in a negative RPS value under certain circumstances. A negative MPB, however, when the market is currently paying \$13-\$17/MWh for index-plus RPS transactions, glaringly demonstrates the problems with this approach: a negative RPS value is tantamount to a seller paying a purchaser to *take* the RPS attribute.

As an example, using estimated current energy, RA and LTFP prices, assume an LSE has a bundled LTFP contract priced at \$40/MWh. Subtracting out \$11/MWh⁹ for RA (based on an

⁹ This assumes a 100 percent capacity factor where the resource provides energy in every hour of the month. This is not a realistic assumption and if the capacity factor is reduced then the price of RA in a \$/MWh denomination would increase, causing the RPS MPB to be even more negative.

\$8/kw-month RA value), and an additional \$60/MWh for energy value (which must be deducted despite the Staff Proposal's failure to do so, as discussed below), results in a *negative* \$31/MWh REC value. Again, the market currently pays approximately \$13-\$17/MWh for index-plus RPS transactions, which demonstrates that the methodology proposed by Staff would lead to results that do not reflect the current market for RECs.

Not only does this outcome make little sense, but it would also have other distorted repercussions. The RPS MPB currently sets the price for Voluntary Allocations.¹⁰ At the extreme, a negative RPS MPB would mean that the IOU would *pay LSEs to take* their Voluntary Allocations.

Even if the Commission capped the RPS value of LTFP contracts for purposes of calculating the RPS MPB to ensure it does not fall below zero (\$0), the same problem results. A value would then be set for RPS resources significantly below the current value identified in real-market transactions, which would imply that renewable energy has no value despite California's strong efforts and mandates to transition away from fossil fuels. The Commission should reject any proposal that, even directionally, leads to this result.

III. THE PROPOSED CALCULATION FAILS TO INCORPORATE THE ELEMENTS NECESSARY TO ADEQUATELY VALUE RPS IN LTFP TRANSACTIONS

The mechanics of Staff's proposed calculation of the RPS MPB incorporating LTFP contracts are flawed in several respects. To begin with, the Staff Proposal recognizes that "[i]t is challenging to develop a comprehensive proposal at this time because the RPS-PCIA data request [regarding LTFP] transactions does not currently require certain information, such as

¹⁰ D.21-05-030, *Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization*, R.17-06-026 (May 20, 2021), OP 2.c at 63.

clear markers for mandatory procurement, estimates of RA value, and dispatch profiles.”¹¹

Without the necessary information, it is impossible for Energy Division staff to adequately assess the impact, feasibility, or accuracy of its proposed calculation.

On a more fundamental level, the mechanics of the calculation proposed by Staff are materially flawed. The following represents Staff’s proposed calculation to deduce the value of RPS from LTFP transactions:

LTFP Contract Value	-	LSE provided estimated RA value within LTFP Contract (in average \$/MWh)	=	REC Value
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As set forth in more detail below, the mechanical flaws with Staff’s calculation include: (1) the proposed calculation fails to deduct energy value in addition to RA value; (2) determining the energy value over the term of the LTFP is imprecise and burdensome; (3) the impact of the proposed calculation has not been adequately explored as required by D.19-10-001; (4) LSEs’ estimates of the RA value in their LTFP transactions must be verified by Energy Division or a third-party consultant; (5) including LTIP transactions will better reflect market prices than LTFP contracts; and (6) what qualifies as “mandatory procurement” to be excluded from the RPS MPB calculation should be clarified.

A. The Staff Proposal Fails to Deduct or Identify the Proxy for Energy Value in Calculating the RPS MPB

Staff proposes deducting RA value from LTFP transactions to calculate the RPS MPB. However, the value of utility portfolios includes energy, RA, and RPS. Each component has its own MPB, which is multiplied by volume as part of the calculation of market value of the utility

¹¹ Staff Proposal at A-9.

portfolio. Therefore, in addition to deducting RA value from the LTFP, the Staff Proposal must also deduct the energy value to isolate the RPS value.

Even if the Staff Proposal includes the energy deduction, however, the determination of energy value within LTFP transactions is problematic. Identifying energy prices over intervals within the LTFP is imprecise and complex. In addition, and as discussed above, deducting the energy value (as well as the RA value) from the LTFP contract price is likely to cause the RPS MPB to go negative. A negative RPS MPB demonstrates the inaccuracy of the calculation, given that LSEs are currently paying index-plus prices for RECs as demonstrated by the current RPS MPB.

B. The Record Does Not Support the Proposed RA Calculation Methodology

The proposed RA calculation will require LSEs to estimate the RA value for their LTFP transactions using the most recent published RA MPB (i.e., for the coming year) and monthly NQC and/or EFC values for a given resource, as applicable.¹² The LSE will then convert the RA value into a single, average \$/MWh metric and will report that metric in its response to the Energy Division data request.¹³ Energy Division will then subtract each transaction's RA value from its fixed price, prior to calculating the RPS MPB.¹⁴

Staff's proposed calculation of RA value is flawed for the following reasons: (1) converting capacity value to an energy basis will not value RPS correctly; (2) the record does not demonstrate how Staff's proposed calculation would impact the RPS MPB, as required by the Commission in D.19-10-001; and (3) Energy Division or a third-party consultant must verify LSEs' calculations of RA value of their LTFP transactions.

¹² *Id.* at A-11.

¹³ *Id.*

¹⁴ *Id.* at A-12.

1. Capacity Value Converted to an Energy Basis Will Not Value RPS Correctly

Staff's proposal will convert the price of RA to a total dollar value and then convert that total dollar value to an implied energy cost. However, RA value does not differentiate the amount of energy expected to be generated by the resource and will produce the same price on a dollar per kilowatt-month basis. As such, converting a capacity value to an energy value in this case will be misleading of the RA value in the contract.

For example, the U.S. Energy Information Administration (EIA) demonstrates that the typical capacity factor for wind in 2021 was 34.6 percent, and 24.6 percent for solar.¹⁵ For the same amount of RA capacity, the wind resource generates 10 percent more energy and therefore the price, denominated in dollars per kilowatt-hour (kWh), is lower while the value of the RA based upon capacity is identical. As the amount of energy is not an RA requirement, the valuation of RA in terms of energy is not a reasonable comparison and will result in incorrect pricing of the RPS attribute.

2. The Impact of Including LTFP Transactions on the RPS MPB Calculation Has Not Been Explored as Required by D.19-10-001

The Staff Proposal recognizes that the current data request does not require LSEs to provide estimates of RA value, and therefore developing a "comprehensive proposal" is difficult.¹⁶ D.19-10-001 requires Staff to "monitor the impact of [LTFP] transactions on the RPS adder" as well as "assess the feasibility of incorporating such transactions into the RPS Adder calculations."¹⁷ Staff provides Tables 1-6 listing summaries of both short- and long-term index

¹⁵ EIA Electric Power Monthly, Table 6.07.B, Capacity Factors for Utility Scale Generators Primarily Using Non-Fossil Fuels, https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_6_07_b

¹⁶ Staff Proposal at A-9.

¹⁷ D.19-10-001, Finding of Fact 7 at 47.

and long-term fixed price transactions, including the MPB resulting from STIP transactions, and the weighted average \$/MWh for LTFP and LTIP transactions.¹⁸ However, the weighted average \$/MWh for the LTFP transactions does not deduct RA value from the prices “because the current RPS-PCIA data request does not require respondents to identify that information.”¹⁹ Without deducting the estimated RA value from the LTFP, an apples-to-apples comparison of the STIP and LTFP weighted averages is not feasible. As recognized by Staff, the actual impact of including LTFP transactions in the calculation of the RPS MPB has therefore not been adequately explored and Staff’s proposal should be rejected.

3. LTFP RA Value Estimates Provided by LSEs Must be Validated by Energy Division Staff or a Third-Party Consultant

Even if LSEs provide estimates of RA values within their LTFP contracts, as proposed by Staff, Energy Division or a third-party consultant would need to validate those estimates prior to calculating the MPB. The proposal recognizes the added reporting and data request response burdens on LSEs. It also recognizes the inability of Energy Division Staff to verify the calculations due to Energy Division’s lack of capacity to substantially increase its workload for MPB calculations. However, validation by Energy Division or a third-party consultant will be necessary to ensure accuracy prior to the calculation of the RPS MPB.

C. LTIP Transactions Reflect Market Prices More Accurately than LTFP Transactions

The Staff Proposal states that it is “unclear” that the Commission anticipated including LTIP transactions in the calculation of the RPS MPB.²⁰ As noted in the Staff Proposal, the number of LTIP transactions in both 2021 and 2022 is substantial.²¹ Despite Staff’s proposal to

¹⁸ Staff Proposal, at A-5 through A-9.

¹⁹ *Id.* at A-6.

²⁰ *See id.* at A-10.

²¹ *See id.* at A-7 (Table 3).

include LTFP transactions, there is actually greater precision in extracting an RA price from an LTIP than from a LTFP, since the former will separately state an RA price. Instead of incorporating LTFP transactions, therefore, the Commission should consider incorporating LTIP transactions which incorporate “index-plus” prices and therefore will better reflect market value than LTFP transactions.

D. The Proposed Exclusion of “Mandatory Procurement” from the RPS MPB Calculation Requires Clarification

The Staff Proposal excludes from the category of LTFP transactions to be included in the calculation those transactions entered into for “mandatory procurement.”²² In fact, the dataset in Table 2 listing the LTFP transactions may at this time include some mandatory procurement, because the current data request does not require parties to separate out mandatory procurement.²³ Therefore, the impact of this procurement on the weighted average listed in Table 2 is unknown. In any event, the type of procurement considered mandatory requires clarification. In other words, is Staff referring only to specific renewable procurement such as technology carve outs? Or, does mandatory procurement extend to Commission ordered procurement such as the requirements on LSEs in the Mid-Term-Reliability procurement order issued in the Integrated Resource Planning proceeding?²⁴

IV. NEITHER THE STAFF PROPOSAL NOR THE RECORD DEMONSTRATE THAT ADDING LTFP TRANSACTIONS TO THE RPS MPB WILL INCREASE ACCURACY OF THE PCIA

MPBs are estimates of the value per unit in the following year associated with the three principal sources of value in utility portfolios – energy, RA, and RPS.²⁵ Given the theoretical and

²² *Id.* at A-11.

²³ *Id.* at A-6.

²⁴ D.21-06-035.

²⁵ *See* D.19-10-001, 18-21, and OP 1 at 54.

mechanical problems associated with extracting the current RPS value out of LTFP contracts, adding LTFP transactions to the RPS MPB calculation will likely decrease the accuracy of the MPB. In addition, given the fundamental, material differences between STIP and LTFP transactions in valuing their individual components, the Commission should reject adding LTFP transactions to the calculation of the RPS MPB. In fact, the only alternative available for LTFP transactions to be included would be a fundamental change to the PCIA methodology modifying the current separate valuation of the individual components of the PCIA calculation.

V. ANSWERS TO RULING QUESTIONS

A. General Questions

- 1. Does your knowledge of the RPS market suggest that the value of LTFP transactions (net of RA value) would be significantly different from STIP transaction prices? In other words, is the current MPB likely approximating the incremental REC value of LTFP transactions already?**

No. The value of LTFP transactions, including the energy, RA, and REC value at the time of execution of the contract, can only be assessed over the entire term of the contract, and is significantly different than STIP transaction prices, as set forth above in Section II.B. and C., above. In addition, Staff's proposed calculation of the REC value of LTFP transactions is flawed as it fails to deduct energy value, and also fails to indicate how it would calculate the energy value.

- a. Do you expect that the value of LTFP transactions (net of RA value) will increase significantly in comparison to STIP transaction prices in the future, particularly after 2024 (when LSEs must show that 65% of their contracts are long-term)?**

CalCCA has no response to this question at this time. However, as LSEs already have to meet the 65 percent long-term contract requirement starting in the 2021-2023 compliance period (they only report it in 2024) the impact of this requirement is likely already reflected in current

prices. In addition, other factors such as supply-chain issues and technology costs, are likely to be more significant drivers of costs.

2. Would the staff time, LSE time, and any third-party consulting fees necessary to incorporate LTFP transactions be worth the added PCIA accuracy?

Given the methodological and mechanical flaws in the Staff Proposal's incorporation of LTFP transactions in the calculation of the RPS MPB as set forth above, any time and expense spent on developing and implementing Staff's proposal would not be worthwhile. In fact, due to these flaws, the PCIA calculation after implementing Staff's proposal would be less, and not more, accurate.

B. Questions on RA Value

1. Is it feasible for individual LSEs to accurately estimate the RA value of LTFP transactions?

No. As set forth in Sections II.B. and C. and III., above, estimating the RA value of LTFP transactions is not only difficult and virtually guaranteed to be inaccurate (and not comparable to STIP transactions), but the Staff Proposal fails to include in its calculation the elements necessary to adequately value the components in LTFP transactions.

2. Do you support the staff recommendation for using the most recent (previous year's) RA MPBs as proxies for RA value?

No. As set forth in Section II.B. and C., above, while the RA MPB may provide an accurate measure of RA value for the year in which the transaction takes place (i.e., for STIP transactions) provided there are not significant price fluctuations as we have seen in the RA market, the RA value when an LSE signs a LTFP contract may or may not reflect the RA MPB and may incorporate changing prices and quantities over its term. Additionally, use of the previous year's RA MPB is inconsistent with D.18-10-019's conclusion that MPB calculations be

“trued-up.” Therefore, an LSE’s deemed capacity value at the time it executes the LTFP contract is not comparable to the current RA MPB, or the valuation of RA in STIP transactions.

If not, you may provide an alternative proposal for approximating RA value that addresses the following:

- a. What is the source of RA proxy values?**
- b. What changes, if any, would be necessary in the semiannual RPS-PCIA data request?**
- c. How would your proposal minimize additional burden on Energy Division staff?**

CalCCA has no alternative proposal for approximating RA value for LTFP contracts in the MPB. Without a complete modification to the PCIA methodology (i.e., valuating the individual components of energy, RA and RPS through MPBs), approximating the RA value at any one time over the term of a LTFP contract is difficult, and virtually guaranteed to be inaccurate.

- 3. Should LSEs perform the calculations, as proposed, or should Energy Division perform the calculations?**
 - a. If LSEs perform the calculations, how could staff verify LSE reported values?**
 - b. Which additional changes to the RPS-PCIA data request template would be necessary, if any?**

As set forth above, CalCCA recommends against adopting Staff’s proposal to include LTFP contracts in the calculation of the RPS MPB because the proposal is methodologically and mechanically flawed and will result in decreased accuracy of the RPS MPB. However, if the Commission adopts Staff’s proposal, as set forth in Section III.B.3, above, either Energy Division or a third-party consultant should perform or verify the calculations to ensure accuracy.

As set forth in the Staff Proposal, several additions to the Data Request are necessary to obtain the information necessary to assess Staff’s proposed calculation: (1) LSE estimation of RA value in LTFP contracts, to be verified by Energy Division or third-party consultants; and (2) identification of “mandatory procurement” that will be excluded from the calculations. From the

additional information provided by LSEs, Staff should then assess the impact of incorporating the LTFP transactions in the RPS MPB.

C. Questions on Included Transactions and Number of RPS MPBs

1. Do you support the proposed exclusion of LTIP and STFP transactions? If not, how would you include these transactions?

As set forth in Section III.C., above, LTIP transactions will better reflect market prices than LTFP transactions. STFP transactions should not be included for the same reasons LTFP contracts should be excluded, as discussed herein.

2. Is TURN's concern about including newly-developed resources – as opposed to including new transactions, which may only be for existing resources – a significant concern for other parties? If so, how should the proposal be modified?

Expanding the execution data parameters in calculating the RPS MPB would substantially alter the methodology adopted in D.19-01-001 and would result in the RPS MPB failing to represent the *current* (i.e., past 12 months) volume-weighted average of RPS market transactions. As set forth above, including LTFP transactions in the RPS MPB will not increase the accuracy of the RPS MPB, and in fact could cause the RPS MPB to go negative demonstrating the inaccuracies associated with including long-term transactions in the calculation. This is also inconsistent with D.18-10-019 in that it only addresses “newly developed” RPS resources but does not address “newly developed” resources that provide RA or energy value.

3. Considering the trade-off between accuracy and simplicity, would LTFP Incorporation Option 1 (combined MPB) or LTFP Incorporation Option 2 (separate MPBs) in the staff proposal better address incorporating long-term transactions in the MPB process?

CalCCA has no response to this question at this time.

4. Does incorporating LTFP transactions require differentiation by technology or generation profile (or both)?

- a. **If so, what information would be necessary in order to calculate these MPBs, and how would it be collected (e.g., through modifications to the existing RPS-PCIA data request template)? How would the calculations be done, and who would do them (e.g., reporting LSEs or Energy Division staff)? Please provide as much detail as possible.**
- b. **Would the time and third-party consulting fees necessary to implement this change be worth the added PCIA accuracy?**

As set forth above, CalCCA recommends against adopting the Staff Proposal to incorporate LTFP transactions into the RPS MPB. Regardless of technology or generation profile, the complexities involved in determining the attribute values over time of long-term contracts is difficult and virtually guaranteed to be inaccurate. Instead, the Commission should reject Staff's Proposal, and continue to calculate the RPS MPB using STIP transactions, and potentially LTIP transactions, to accurately reflect the current REC market value.

VI. CONCLUSION

CalCCA appreciates the opportunity to submit these Reply Comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,



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